

DDA 84-0195

19 JAN 1984

MEMORANDUM FOR: Director of Personnel

FROM: Harry E. Fitzwater
Deputy Director for Administration

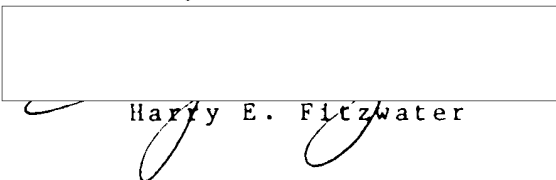
SUBJECT: President's Private Sector Survey on Cost Control

1. Forwarded herewith is a copy of the task force report completed by the President's Private Sector Survey on Cost Control (Grace Commission) on Personnel Management.

2. As you know, the DCI is interested in these reports and the possibility of adopting, where appropriate, whatever we can glean from their recommendations. It is, therefore, requested that a review of the attached report be conducted by the Office of Personnel. I would appreciate comments on the applicability of the report to the Agency. Please comment on the task force recommendations which can be adopted by the CIA (along what time frame) and which cannot be adopted by us. I am, of course, interested in your comments on all aspects of the report.

3. I intend to forward a detailed report to the DCI on a wide variety of topics examined by the Grace Commission. Please forward your report to me by 24 February or earlier, if feasible.

STAT


Harry E. Fitzwater

Attachment

III. SUMMARY LIST OF RECOMMENDATIONS AND SAVINGS

<u>ISSUES AND RECOMMENDATIONS</u>	IMPLEMENTATION	<u>YEAR 1</u>	<u>SAVINGS</u>		<u>TOTAL</u>
	AUTHORITY		<u>YEAR 2</u>	<u>YEAR 3</u>	
	(A) Agency (C) Congress (P) President				
<u>Civil Service Retirement System (PER 1)</u>			(\$ billions)		
The normal retirement age should be raised from age 55 to age 62. (PER 1-1)	C	\$4.80	\$5.28	\$5.81	\$15.89
The retirement benefit should be modified to average salary over five years instead of three. (PER 1-2)	C				
The crediting of unused sick leave as extra service for retirement purposes should be discontinued. (PER 1-3)	C				
The pension benefit should be reduced by 1/3% (rather than 1/6%) for each month that retirement precedes the normal retirement age. Agencies using early retirement provisions to solve staffing problems should be charged with resulting additional costs. (PER 1-4)	C				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY	SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President	YEAR 1	YEAR 2	YEAR 3	
Disability provisions should be removed from the retirement system and replaced by a separate long-term disability plan. (PER 1-5)	C				
Reductions to retirement benefits for survivor coverage should be based on true actuarial factors. Current provision for survivor benefits to young adults between ages of 18 and 22 (students) should be eliminated. (PER 1-6)	C				
Cost of Living Allowances (COLAs) for Federal retirees should be based on the lower of the CPI or the General Schedule pay increase as follows:					
(a) Under 62 -- 33% of increase.					
(b) Over 62 -- 70% of increase.	C				
(c) Retirees whose annuities exceed current retirees with the same work history -- 50% of increase.					
(d) Retirees who are eligible for Social Security benefits -- 33% of increase. (PER 1-7)					
Federal employees should be covered under Social Security on the following basis:					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	SAVINGS			TOTAL
		YEAR 1	YEAR 2	YEAR 3	
(a) Mandatory for all new employees.					
(b) Mandatory for current employees under age 45.	C				
(c) Optional for employees 45 and older.					
(d) The Federal retirement system should be redesigned to integrate with Social Security in accordance with private sector prevailing practice. (PER 1-8)					
<u>Federal Employees Health Benefit Program (PER 2)</u>					
			(\$ millions)		
		\$417	\$452	\$487	\$1,356
Conduct open enrollment only in alternate years beginning in November 1983, and require enrollees to remain in a plan, once chosen, until the next open enrollment except in limited circumstances. (PER 2-1)	A				
Provide that employee organizations may not exclude annuitants from coverage. (PER 2-2)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency (C) Congress		YEAR 1	YEAR 2	YEAR 3	
	(P) President					
Keep separate experience for employees, annuitants without Medicare, and annuitants with Medicare. Develop a system for acknowledging the different needs and experience of those groups in benefits, premiums, and Government contributions. (PER 2-3)	A					
Require all plans to offer minimum benefits at least equal in value to those under Medicare. (PER 2-4)	A					
Limit choice of Health Maintenance Organizations in any geographic service area to a maximum of three or four, with at least one prepaid group practice plan and one individual practice plan. (PER 2-5)	A					
Limit health benefits coverage in employee association plans to regular members and annuitants. (PER 2-6)	A					
Deduct Medicare benefits from the Federal Employee's Health Benefits Program without "fill-in" for annuitants eligible for Medicare. (PER 2-7)	A					

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>	<u>SAVINGS</u>			
	<u>AUTHORITY</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency (C) Congress (P) President				
Explore and develop a system for obtaining bids on the Government-wide plans to ensure all vendors are encouraged to participate and a variety of cost containment ideas are explored. (PER 2-8)	A				
Make cost containment a top priority by establishing or strengthening such practices as:					
(a) Setting and enforcing minimum standards for claims processing and audit,					
(b) Auditing utilization rates for all plans and replacing those that are not cost-effective,	A				
(c) Encouraging and monitoring conventional cost containment measures including hospital bed reductions, effective peer review, and coalition activities, and					
(d) Cooperating with the states in cost containment activities, such as hospital rate review. (PER 2-9)					

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>	<u>SAVINGS</u>			
	<u>AUTHORITY</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency (C) Congress (P) President				
Greatly improve the format and reliability of the informational materials for employees, annuitants and administrators and assure that it reaches them in a timely manner. (PER 2-10)	A				
Eliminate the 75% ceiling contribution to allow employees who select a low cost plan to benefit fully from the lower premium. (PER 2-11)	C				
Encourage the Office of Personnel Management to work out an effective system for varying premiums by broad geographic areas. (PER 2-12)	C				
Require that benefits for annuitants be included as part of the budget for the agency from which retired to focus attention on the high cost of those benefits. (PER 2-13)	C				
Bring the annuitant and survivor eligibility requirements for the Federal Employee's Health Benefits Program in line with private sector practice. (PER 2-14)	C				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			<u>TOTAL</u>
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
	(A) Agency (C) Congress	(P) President				
Specify a standard reserve requirement for all plans against plan failure, with the Office of Personnel Management to hold the reserve. (PER 2-15)		C				
Authorize the Office of Personnel Management to establish a demonstration project or projects to explore more thoroughly the pro-competition approach to health benefits financing (such as the "voucher" approach). Under the project, employees and annuitants would be allowed a fixed amount (which could vary by family status, employment status, eligibility for Medicare, and geographic location) to apply toward health benefits coverage. They could purchase coverage from any carrier approved by the Office of Personnel Management. Amounts would be set at a level which would result in approximately the same initial cost as under the present program. Experience would be compared with that of a control group over an appropriate period of time. (PER 2-16)		C				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY</u> (A) Agency (C) Congress (P) President	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
<u>Annual Leave (PER 3)</u>			(\$ billions)		
Amend the U.S. Code to provide that an employee is entitled to annual leave only after being employed for 180 days of continuous service. (PER 3-1)	C	\$1.17	\$1.26	\$1.36	\$3.79
Amend the U.S. Code to provide that an employee is entitled to annual leave with pay which accrues at the rate of 1/26th of the maximum annual amount for each full biweekly pay period. The maximum annual amount, recommended by years of service, is as follows:					
o 10 days for an employee with less than 3 years service.					
o 12 days for an employee with 3 but less than 5 years of service.					
o 14 days for an employee with 5 but less than 10 years of service.					
o 17 days for an employee with 10 but less than 15 years of service.					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President		YEAR 1	YEAR 2	YEAR 3	
o 20 days for an employee with 15 but less than 20 years of service.						
o 23 days for an employee with 20 but less than 25 years of service.						
o 26 days for an employee with 25 or more years of service. (PER 3-2)	C					
Amend the U.S. Code to provide that annual leave which is not used by an employee in the calendar year shall be forfeited. (PER 3-3)	C					
<u>Sick Leave (PER 4)</u>						
Amend the U.S. Code to provide that sick leave accrued under this section, which is not used by an employee, accumulates for use in succeeding years until it totals not more than 130 days at the beginning of any full biweekly pay period, or corresponding period for an employee who is not paid on the basis of biweekly pay periods. (PER 4-1)	C		\$1.1	(\$ billions) \$1.2	\$1.3	\$3.6

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
Provide for carryover of accumulated leave earned before the legislation recommended in PER 4-1 becomes effective. (PER 4-2)	C				
<u>The Federal Position Classification System (PER 5)</u>			(\$ millions)		
		\$993	\$1,590	\$2,207	\$4,790
The Office of Personnel Management should initiate a complete redesign and simplification of the classification standards format. (PER 5-1)	A				
The Office of Personnel Management should assure that classification standards are reviewed and updated on a five year cycle. (PER 5-2)	A				
The Office of Personnel Management should intensify efforts to reduce overgrading by:					
(a) Assigning to one Associate Director responsibility for the total pay system,					
(b) Providing for evaluation criteria in the performance appraisal system covering accuracy of classification and good position management,					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION		SAVINGS		
	AUTHORITY				
	(A) Agency	(C) Congress	YEAR 1	YEAR 2	YEAR 3
	(P) President				TOTAL
(c) Providing for appropriate use of special rates, incentive awards, and quality step increases to reduce pressure to upgrade jobs,					
(d) Requiring quarterly reports appraising quality of agency classification performance, and					
(e) Insuring that agency classifiers are protected from improper pressure to raise grades. (PER 5-3)	A				
The President should issue a directive requiring phased reduction in overgrading. The directive should require a three year timetable to reduce misclassification to 5% or less. (PER 5-4)	P				
A Presidential memorandum should be issued to all agency heads placing priority on the development and implementation of position management plans. (PER 5-5)	P				
The Office of Personnel Management should provide technical guidance to agencies and provide follow up on programs of position management. (PER 5-6)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
The Office of Personnel Management should report, with specific recommendations, to agency heads on the operation of their position management programs. (PER 5-7)	A				
Agencies which perform well in their position management programs should carry this credit in their budget dealings with the Office of Management and Budget. (PER 5-8)	A				
<u>Pay Comparability (PER 6)</u>			(\$ billions)		
The Office of Personnel Management and the Bureau of Labor Statistics should expand the PATC survey to include the full spectrum of positions at all levels. (PER 6-1)	A	\$1.2	\$1.2	\$1.2	\$3.6
The requirement for an annual comparability survey should be changed to provide for biannual surveys. (PER 6-2)	C				
The comparability survey should be expanded to include state and local governments and nonprofit organizations. (PER 6-3)	C				
The Office of Personnel Management should reduce the current minimum size criteria for the survey to include firms with 25 and more employees. (PER 6-4)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY</u>		<u>YEAR 1</u>	<u>SAVINGS</u>		<u>TOTAL</u>
	(A) Agency	(C) Congress		<u>YEAR 2</u>	<u>YEAR 3</u>	
	(P) President					
Pay for clerical, technical and support jobs should be based on local prevailing rates. (PER 6-5)		C				
The General Schedule should be expanded to more than 15 basic pay levels to accommodate the many different jobs in the Federal service. (PER 6-6)		C				
<u>Blue Collar Pay Comparability (PER 7)</u>						
				(\$ millions)		
Redesign the current five step pay range to a three step structure to bring the range more in line with local prevailing rates. (PER 7-1)		C	\$500	\$550	\$605	\$1,655
Include positions in state and local government and nonprofit organizations in the wage survey process. (PER 7-2)		C				
Repeal the Monroney Amendment which provides for out-of-area data in wage surveys. (PER 7-3)		C				
Repeal the current requirement for nationwide shift differentials. Provide for differentials on the basis of local prevailing practice. (PER 7-4)		C				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY	SAVINGS			
	(A) Agency (C) Congress (P) President	YEAR 1	YEAR 2	YEAR 3	TOTAL
Provide for a single method of computing overtime. (PER 7-5)	C				
<u>Executive Level and Senior Executive Pay (PER 8)</u>					No measurable savings
The Office of Personnel Management should review existing Senior Executive Service positions with the intent of removing from that Service positions that do not have the scope of responsibility to warrant bonuses and a higher salary schedule. (PER 8-1)	A				
Increase Executive Level and Senior Executive Service salary rates by 20 percent to 30 percent and provide for significant differentials between salary levels. (PER 8-2)	C				
<u>The Employment Process and Public Information (PER 9)</u>					\$2 million over three year period
The Office of Personnel Management should redefine its role in providing public information on Federal job availability. The intent should be to limit applicant inquiry to that relevant to agency staffing needs. (PER 9-1)	A				
Public information programs should be specifically targeted for greatest potential. (PER 9-2)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	SAVINGS			
		YEAR 1	YEAR 2	YEAR 3	TOTAL
The use of automated techniques and "form" replies should be increased to provide for faster and more economical responses to job inquiries. (PER 9-3)	A				
<u>Employment Process and Automated Examining (PER 10)</u>			(\$ thousands)		
The Office of Personnel Management should expand substantially their automated examining programs. (PER 10-1)	A	(\$100)	\$13	\$1,010	\$923
<u>Reduction in Force (PER 11)</u>					
Provide that a competitive area may consist of all parts of an agency. This will eliminate problems of interpreting present references in the regulations to "single administrative authority" and "primary subdivision." (PER 11-1)	A				Would have saved \$39.5 million in RIFs occurring in FY 1982
Allow agencies to use separate competitive areas for secretarial, clerical, and wage system employees within a commuting area. This would recognize the transferability of clerical skills, establish clerical competitive areas across organizational lines, and provide for adequate competition. (PER 11-2)	A				

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	<u>AUTHORITY</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
	(A) Agency (C) Congress (P) President				
Eliminate the requirement for separate competitive levels for supervisors based on labor relations definition. Some of these employees have little or no experience as supervisors and should be grouped with non-supervisory positions. (PER 11-3)	A				
Eliminate the requirement that career (permanent) employees be categorized into two groups for retention standing -- career and career-conditional. There is no significant difference between those categories. (PER 11-4)	A				
Eliminate absolute veterans preference in determining the order of release of employees. Provide for retention on following basis:	A				
(a) Length of service -- one point for year of service,					
(b) Veterans preference -- ten additional points,					
(c) Outstanding performance -- ten additional points,					
(d) Exceeds fully satisfactory performance -- five additional points, and					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY	SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President	YEAR 1	YEAR 2	YEAR 3	
(e) Less than fully satisfactory performance -- minus ten points. (PER 11-5)					
Limit the number of grades to which an employee can bump or retreat to the next lower appropriate grade interval. (PER 11-6)	A				
Require that employees who would otherwise be separated or downgraded be assigned to vacant positions which the agency intends to fill within three months. (PER 11-7)	A				
Revise the regulations governing Re-employment Priority Lists to:	A				
(a) Place a greater obligation on the separated employee to accept positions,					
(b) Eliminate requirement for promotion consideration, and					
(c) Limit listing of employees to one year after separation. (PER 11-8)					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President	SAVINGS			TOTAL
		YEAR 1	YEAR 2	YEAR 3	
<u>Permanent Employment Versus Contracted Services (PER 12)</u>			(\$ billions)		
Legislation should be passed which would:	C	\$1.0	\$1.1	\$1.2	\$3.3
(a) Establish a national policy on acquiring goods and services from the private sector when justified on basis of cost,					
(b) Provide the Office of Management and Budget with authority to approve exceptions to the general policy, and					
(c) Provide for a less complex system of cost comparison. (PER 12-1)					
<u>Instructional Television Production Facilities (PER 13)</u>			(\$ millions)		
		\$7.5	\$8.3	\$9.1	\$24.9
The Office of Personnel Management should be designated as a "broker" to coordinate the use of instructional television facilities. (PER 13-1)	A				
The Office of Personnel Management should develop a simplified procedure by which agencies can procure instructional television productions. (PER 13-2)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION AUTHORITY (A) Agency (C) Congress (P) President</u>	<u>SAVINGS</u>			<u>TOTAL</u>
		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	
The Office of Personnel Management should establish simplified accounting and funding procedures to allow central coordination and funding of television production needs. (PER 13-3)	A				
<u>Duplication of Supervisory Training (PER 14)</u>			(\$ millions)		
		\$20	\$22	\$24	\$66
The Office of Personnel Management should identify basic skills and competencies required for effective supervisory performance. (PER 14-1)	A				
The Office of Personnel Management should develop course outlines, curricula, and training aids for basic supervisory training courses. (PER 14-2)	A				
The Office of Personnel Management should provide for certification of agency instructors in supervisory training. (PER 14-3)	A				
The Office of Personnel Management should set up an audit system to assure that first line supervisors receive basic skills training. (PER 14-4)	A				

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION AUTHORITY		SAVINGS			TOTAL
	(A) Agency (C) Congress (P) President		YEAR 1	YEAR 2	YEAR 3	
The Office of Personnel Management should monitor proposed contracts for development of generic supervisory training courses to avoid costly duplication of effort. (PER 14-5)	A					
The Office of Personnel Management should provide a clearinghouse for supervisory training courses. (PER 14-6)	A					
<u>Executive Seminar Centers (PER 15)</u>						
				(\$ thousands)		
The Office of Personnel Management should initiate a search for a new location for the current Denver Executive Seminar Center. (PER 15-1)	A		\$35	\$886	\$1,012	\$2,253
Final location for the new Western Center (currently Denver) should be selected only after a thorough cost comparison study. (PER 15-2)	A					
A site search for a new Northeast Corridor Center (currently Kings Point, N.Y.) should be initiated -- also based on a cost comparison. (PER 15-3)	A					
The operations of the Oak Ridge Center should be monitored to determine if there is excess space which could be turned back to the General Services Administration. (PER 15-4)	A					

ISSUES AND RECOMMENDATIONS	IMPLEMENTATION	SAVINGS			
	AUTHORITY	YEAR 1	YEAR 2	YEAR 3	TOTAL
	(A) Agency (C) Congress (P) President				
The professional staff at the Executive Seminar Centers should be cut by five professionals. (PER 15-5)	A				
<u>Productivity (PER 16)</u>			(\$ billions)		
		\$3.180	\$3.498	\$3.848	\$10.53
The Office of Management and Budget should establish a permanent group charged with promoting and coordinating productivity efforts. (PER 16-1)	A				
The Office of Personnel Management should provide support services for the productivity effort in such areas as training, seminars, etc. (PER 16-2)	A				
Existing incentive awards authorities should be used to recognize managers who achieve significant productivity improvement. (PER 16-3)	A				
Performance appraisals should include an evaluation of managers' participation in productivity improvement. (PER 16-4)	A				
The Office of Management and Budget should identify and move to eliminate all disincentives in productivity improvement. (PER 16-5)	A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency	(C) Congress (P) President				
<u>Duplication of Personnel Servicing (PER 17)</u>						\$61.2 million from entire effort.
All agency heads should review servicing personnel offices to determine candidates for consolidation. (PER 17-1)		A				
Each agency head should report the results of the review to the Director of the Office of Personnel Management and the Director of the Office of Management and Budget. (PER 17-2)		A				
Agency heads should consider personnel administrative services as areas for sharing across the entire agency. (PER 17-3)		A				
Agency heads should set standards for minimum size of personnel offices. Any that do not meet this standard should normally be combined with other offices. (PER 17-4)		A				
The Office of Personnel Management should provide for interagency sharing of personnel services among the smaller agencies and recommend successful models for consolidation of the service. (PER 17-5)		A				

<u>ISSUES AND RECOMMENDATIONS</u>	<u>IMPLEMENTATION</u>		<u>SAVINGS</u>			
	<u>AUTHORITY</u>		<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>TOTAL</u>
	(A) Agency (C) Congress					
	(P) President					
<u>Workforce Planning (PER 18)</u>			No savings projected			
The Office of Personnel Management should develop a specific workforce planning policy and procedures for agency use. (PER 18-1)	A					
The Office of Personnel Management should utilize private sector expertise in the development of policy and procedures. (PER 18-2)	A					
The new procedures should be tested by at least two agencies. (PER 18-3)	A					
If the test is successful, all Federal Agencies should be required to use the procedures. (PER 18-4)	A					